

**THIRD AMENDMENT TO
WATER AND SANITARY SEWER SERVICE AGREEMENT**

between the

**CITY OF GRAND RAPIDS
(the "City")**

and

**CASCADE CHARTER TOWNSHIP,
GRAND RAPIDS CHARTER TOWNSHIP,
CITY OF KENTWOOD,
TALLMADGE CHARTER TOWNSHIP,
CITY OF WALKER, and
WRIGHT TOWNSHIP
(individually a "Customer Community" and
collectively the "Customer Communities")**

**THIRD AMENDMENT TO WATER AND
SANITARY SEWER SERVICE AGREEMENT**

THIS THIRD AMENDMENT TO WATER AND SANITARY SEWER SERVICE AGREEMENT made and executed as of this 1st day of December, 2006 (hereinafter referred to as the "Third Amendment"), by and between the **CITY OF GRAND RAPIDS**, Kent County, Michigan, a Michigan municipal corporation (hereinafter referred to as the "City"), and **CASCADE CHARTER TOWNSHIP**, Kent County, Michigan, a Michigan charter township, **GRAND RAPIDS CHARTER TOWNSHIP**, Kent County, Michigan, a Michigan charter township, the **CITY OF KENTWOOD**, Kent County, Michigan, a Michigan municipal corporation, **TALLMADGE CHARTER TOWNSHIP**, Ottawa County, Michigan, a Michigan charter township, the **CITY OF WALKER**, Kent County, Michigan, a Michigan municipal corporation, and **WRIGHT TOWNSHIP**, Ottawa County, Michigan, a Michigan general law township (hereinafter referred to individually as a "Customer Community" and collectively as the "Customer Communities").

RECITALS

A. The City and the Customer Communities have entered into a Water and Sanitary Sewer Service Agreement dated as of January 1, 1999 (the "Agreement"), for the provision of public water and/or sanitary sewer service to Users within certain designated service areas on a retail basis.

B. The City and the Customer Communities who have executed this Third Amendment have determined to (i) amend Section 2 of the Agreement to permit public water and/or sanitary sewer service to be provided within an Urban Utility Boundary of a Customer Community by another provider if there are good engineering reasons to do so, (ii) amend Section 5 of the Agreement or provide for individual and City/Customer Community circuit

breaker rates and to provide for rate smoothing within the City and/or a Customer Community and (iii) amend Section 21 of the Agreement permitting the extension of the limits of the boundary of the Utility Services District of a Customer Community beyond the limits of the Urban Utility Boundary of the Customer Community into an adjoining municipality if there are good engineering reasons to do so.

NOW, THEREFORE, in consideration of the respective representations and agreements contained herein, the parties hereto agree as follows:

Section 1. Amendment to Section 2 of Agreement. The first sentence of the first paragraph of Section 2 of the Agreement is amended to read as follows:

Subject to the right of the City and a Customer Community or the right of Customer Communities to enter into a "border-line street" agreement to serve an area along a common border line from one municipality or the other, the City and Customer Communities agree that the City shall be the exclusive provider of public water and sanitary sewer service within the Urban Utility Boundary within each of their boundaries and that such water and sanitary sewer service shall be supplied directly to Users on a retail basis, provided, however, at the request of a Customer Community and approval of the Utility Advisory Board and the City Manager, service may be provided by a provider other than the City upon demonstration that there are good engineering reasons for doing so.

Section 2. Amendment of Section 5 of Agreement. Section 5 of the Agreement is amended by the addition of the following subsections F, G and H:

Section 5.

F. Individual Circuit Breaker. Beginning with the Rate Study for rates and charges to be effective for the 2007 calendar year, the Rate Setting Methodology used to annually establish rates and charges of Users of both the Water System and Sewer System is amended to permit an amount not to exceed 12.5% of the estimated penalty fees to be collected in a Rate Study year for the Water System and Sewer System, respectively, to be used to support a program aimed at addressing those Users of the Water System or Sewer System within the City and retail Customer Communities requiring assistance in paying such rates and charges. Any amount set aside for such program shall not be applied as a credit against the revenue requirement of such Water System and Sewer System in that Rate Study year.

The program to be utilized along with the agency(ies) administering it shall be approved by the Utility Advisory Board. The Utility Advisory Board shall also annually approve the amount of penalty fees of the Water System and Sewer System, respectively, to be made available for the program in a Rate Study year subject to the limitation set forth in the first paragraph of this Section 5.F.

Any penalty fees allocated to the program for a Rate Study year and not utilized shall be applied as a credit against the Water System and Sewer System revenue requirements, respectively, for the immediately succeeding Rate Study year.

G. City and Customer Community Circuit Breaker. Beginning with the Rate Study for rates and charges to be effective for the 2007 calendar year, the Rate Study Methodology used to annually establish rates and charges of Users of both the Water System and Sewer System is amended to permit an amount not to exceed 87.5% of the estimated penalty fees to be collected in a Rate Study year for the Water System and Sewer System, respectively, to be used to reduce the projected rate increase in such Rate Study year of the City and retail Customer Communities (collectively, the "Retail Communities") who in any given Rate Study year exceed the average projected percentage increase (or decrease) in rates for all customer communities (wholesale and retail) in such Rate Study year for the Water System and Sewer System, respectively. Any amount so utilized shall not be applied as a credit against the revenue requirement of such Water System and Sewer System in that Rate Study year.

To the extent penalty fees are available in a Rate Study year, such funds shall be applied as a credit against the revenue requirement of those Retail Communities whose projected percentage increase of Water System rates or Sewer System rates in a Rate Study year exceed the average projected percentage increase (or decrease) in rates of the Water System or Sewer System, respectively, of all customer communities (wholesale and retail) so that the projected percentage rate increase of such affected Retail Communities does not exceed the average projected percentage increase (or decrease) of Water System and Sewer System rates, respectively, of all customer communities (wholesale and retail) in such Rate Study year.

If there are not sufficient penalty fees available in a Rate Study year to reduce the projected percentage increase in rates of all affected Retail Communities of the Water System and Sewer System, respectively, to the average projected percentage rate increase (or decrease) of all customer communities (wholesale and retail) in such year, the credit to be applied to the revenue requirements of the affected Retail Communities shall be on an equal pro rata basis (Example: If \$100,000 is available to credit and there are 3 Retail Communities above the average projected percentage increase – one requiring \$100,000, one requiring \$75,000 and one requiring \$50,000 to get down to the average projected rate increase of all Retail Communities; each would be assigned 44.44% of available funds to credit against their respective revenue requirement,

i.e., the first Retail Community is credited with \$44,444, the second Retail Community is credited with \$33,383 and the third Retail Community is credited with \$22,222).

Any penalty fees available for a Rate Study year to reduce projected percentage rate increases and not utilized shall be applied as a credit against the Water System and Sewer System revenue requirement, respectively, for the immediately succeeding Rate Study year.

H. Rate Smoothing. At the request of the City or a retail Customer Community and upon approval of the Utility Advisory Board, the City or retail Customer Community may lessen the impact of future Water System or Sewer System rate increases caused by significant project-specific capital improvement projects of the Water System and Sewer System, respectively, provided certain criteria, as hereinafter set forth, is met. For an approved eligible project, the City or affected retail Customer Community shall be entitled to add to the revenue requirement of the City or the affected retail Customer Community an amount in each applicable Rate Study year equal to the amount such eligible project would add to the revenue requirement of the City or affected retail Customer Community when it is placed in service divided by the number of Rate Study years between the time when such eligible project is scheduled, budgeted or financed as established by the Utility Advisory Board and the date for the eligible project is projected to be placed in service (Example: An eligible project is projected to add \$5,000,000 to the City's or other retail Customer Community's revenue requirement in the Rate Study year that it is placed in service. It will take 5 years to complete the project. Upon approval of the Utility Advisory Board, \$1,000,000 may be added to the revenue requirement of the City or affected Customer Community in each of the 5 applicable Rate Study years).

The additional amounts collected from Water System or Sewer System Users, respectively, of the City or the affected retail Customer Community shall be separately identified in the accounting records of the Water System or Sewer System and invested in accordance with the investment policies for revenues of the Water System and Sewer System. When the eligible project is completed and placed in service and therefore added to the City's or affected retail Customer Community's rate base in accordance with the Rate Setting Methodology, such collected funds and the investment income thereon shall be applied as a credit against the revenue requirement of the City or affected retail Customer Community in such Rate Study year and subsequent Rate Study years as shall be determined and approved by the Utility Advisory Board to lessen the impact of the increase of rates in such Rate Study year(s).

The following criteria shall be used by the Utility Advisory Board to make a determination that a capital improvement is an eligible project pursuant to this Section 5.H:

1. The project must be specific and identifiable.

2. The project must be estimated to take at least 3 or more years to complete including scheduling, budgeting and financing and place in service.

3. The increase in the revenue requirement caused by the project when it is placed in service must be projected to increase rates of Users by 10% or greater.

4. The project must be one that is being undertaken for environmental or capacity reasons, to address pressure inadequacies, to improve system reliability or to comply with State or federal laws and related regulations and shall not be one which is primarily for the purpose of expanding the service to obtain or attract new users except within a Utility Services District.

Any increase in rates caused by the application of the provisions of this Section 5.H. shall not be taken into consideration in the determination of the projected percentage rate increases of the City and other retail Customer Communities when applying the provisions of Section 5.G. hereof.

Section 3. Amendment to Section 21 of Agreement. Section 21 of the Agreement is amended by adding the following paragraph at the end of such Section:

Upon request of a Customer Community and approval of the Utility Advisory Board and the City Manager, the boundaries of the Utility Services District of such Customer Community may extend beyond the limits of the Urban Utility Boundary of the Customer Community and into an adjoining municipality who may or may not be a Customer Community provided the requesting Customer Community demonstrates that there are good engineering reasons for doing so. For purposes of applying the other provisions of this Agreement such area once approved shall be deemed to be a part of such Customer Community's Utility Services District.

Section 4. Definitions. All terms not specifically defined in this Third Amendment shall have those meanings as defined in the Agreement.

Section 5. Ratification of Agreement. Except as amended by this Third Amendment and a First Amendment to Water and Sewer Service Agreement dated as of March 28, 2000, and a Second Amendment to Water and Sewer Service Agreement dated as of July 1, 2002, both between the City and the Customer Communities, the Agreement is in all other respects hereby ratified and confirmed.

Section 6. Effective Date. This Third Amendment shall be effective as of the date set forth in the first paragraph hereof.


IN WITNESS WHEREOF, the City and the Customer Communities have caused these presents to be signed by their respective duly authorized officers as of the day and year first written above.

CITY OF GRAND RAPIDS**"City"**Executed: 2/28/07, 2006
George K. Heartwell, Mayor

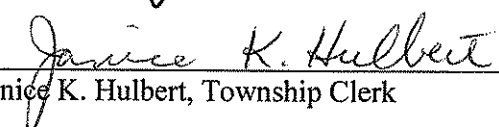
Attest:


Mary Therese Hegarty, City Clerk**CASCADE CHARTER TOWNSHIP****"Customer Community"**

Executed: _____, 2006


Michael Julian, Supervisor
Ron Goodyke, Township Clerk**GRAND RAPIDS CHARTER TOWNSHIP****"Customer Community"**


Executed: _____, 2006


Michael J. DeVries, Supervisor
Janice K. Hulbert, Township Clerk

CITY OF KENTWOOD
"Customer Community"

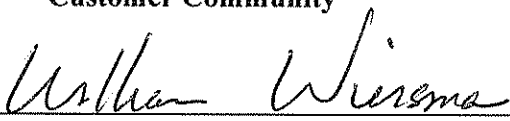
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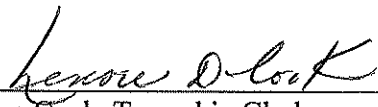

Richard Root, Mayor


Dan Kasunic, City Clerk

TALLMADGE CHARTER TOWNSHIP
"Customer Community"

Executed: 2-8-07, 2006



William Wiersma, Supervisor


Lenore Cook, Township Clerk

CITY OF WALKER
"Customer Community"

Executed: 2-17-07, 2006


Robert VerHeulen, Mayor


Sandra A. Wisniewski, City Clerk

WRIGHT TOWNSHIP
"Customer Community"

Executed: 2/11/07, 2006


JoAnn Becker, Supervisor


Linda Way, Township Clerk